

# 2013 Legislative Changes to Kentucky's Alcohol Laws

## Senate Bill 13

### Fact Sheet & Informational Guide

#### Microbreweries, Distributors & Wholesalers

The Kentucky General Assembly passed Senate Bill 13 ("SB 13") into law during the 2013 legislative session. The passage of SB 13 resulted in many changes to Kentucky's alcoholic beverage statutes. The Department of Alcoholic Beverage Control (the "Department") has prepared this informational fact sheet and guide to provide a brief explanation about the changes to Kentucky law that became effective on June 25, 2013.

SB 13 included all 34 recommendations made after a six (6) month study by the Governor's Task Force on the Study of Kentucky's Alcoholic Beverage Control Laws. The Task Force's recommendations focused on simplification and consistency in the licensing process and scheme, clarification regarding local option laws and additional ways to protect the public. To effectuate these goals, SB 13 consolidated similar license types and fees, (both state and local licensing fees), simplified the licensing process, modernized local option laws, and strengthened the Department's and local government's public protection powers. In addition, SB 13 modernized laws regarding alcohol sales on election days and reinforced protection of Kentucky's three-tier alcohol distribution system relating to Microbreweries.

SB 13 provided a much needed "clean up" of existing statutory problems and inconsistencies that existed in Kentucky law without changing or expanding existing license privileges. SB 13 reduced and streamlined existing licensing processes without impairing or reducing regulatory oversight, so as to make the licensing process more "user-friendly," to all licensees and customers of the Department. SB 13 equitably made fees uniform for the same license types while keeping costs and fees low and maintaining revenue neutrality.

This informational guide is intended to highlight some of the law changes and provide Department customers and licensees some guidance and explanation regarding those changes. These changes will require counties and cities to update ordinances, licensing procedures, forms, and examine local licensing fees and renewal schedules. **As such, licensees should check with their local ABC Administrator about changes.** The information provided in this guide does not cover all changes resulting from Senate Bill 13. As a licensee of the Department, it is your responsibility to familiarize yourself with these changes and all alcoholic beverage laws. As such, the Department encourages its licensees and their attorneys to read SB 13 in its entirety at: <http://www.lrc.ky.gov/record/13RS/SB13.htm>.

## Changes to Department Licensing Forms.

- All state Department licensing application and reporting forms were revised in accordance with SB 13. On June 25, 2013, SB 13 became effective and now the new forms alone will be accepted by the Department, and any applications submitted on old forms will be rejected. Please destroy any old forms you have in your possession. The new forms are posted on the Department's website:  
<http://abc.ky.gov/Pages/Licensing.aspx>
- Forms became effective on June 25, 2013, when the Department filed regulations with the Legislative Research Commission.
- New forms are posted on the Department's website. **The Department will not accept, and will return, any license application using the old forms.**
- As explained below, several license types have changed. For this reason, **the Department will not accept newspaper (public notice) advertisements received after June 25, 2013, which incorrectly list the name of an eliminated license type. The Department will require applicants using eliminated license type names to re-run their public notice advertisements.**
- The Department is advising callers and potential applicants of the changes in forms, fee amounts and ad requirements.
- Please utilize our web site to download and print new application forms.

## Overview of SB 13 Changes to License Types and Licensing Process.

- Simplified the licensing process while preserving the former licensing requirements and qualifications.
- Simplified and reduced the number of license types without changing any privileges or permissible activities related to production, sales, etc. SB 13 consolidated similar license types and unnecessary types, into one new type, so as to simplify the licensing scheme.
- Corrected inconsistencies in licensing statutes.
- Continues to preserve the three-tier distribution system.
- Reduced state license types from 88 types to 44 types without eliminating any license privileges. **All licensees holding a consolidated license type have received the new license type that permits the same privileges and activities as the old license type. Licensees retain all privileges that were afforded by the old license type after they transition to the new license type/name.**
- Changed the name of several license types and fees associated with all licenses. **Although the name of several license types changed, the privileges of the old license types did NOT change. Privileges, activities and qualifications for old license types are exactly the same for the new license types.**

- Simplified the licensing scheme, renewal schedule, fee schedule and forms. Although the transition period will result in many initial questions by existing licensees, the changes will prove to be positive after adjustments.
- Converted many license types into “combo” licenses so as to permit sales of all forms of alcohol (distilled spirits, wine, and beer) under one license for simplicity.
- Eliminated inconsistencies in licensing scheme for license types and activities related to selling alcoholic beverages for on-premises consumption (by the drink) versus off-premises consumption (by the package).
- Permits holders of producer, wholesaler or distributor’s licenses the option to renew their licenses for a one (1) year, or a two (2) licensing period, instead of just a one (1) year license. This two (2) year licensing period and renewal option is ONLY available for producers or distributors/wholesalers, NOT retail licenses.
- Corrected inconsistencies with the licensing of out-of-state producers/suppliers. Out-of-state producers of distilled spirits and wine must obtain licenses just like out-of-state producers/suppliers of beer.
- **Not all license types were changed or renamed.** For state license types that were changed, local license types were also changed consistently with the new state licenses.

**Specific Changes to License Types.** *(If a license type is not listed or addressed below, it has not been changed).*

- **Distiller’s license-** The Distiller’s license remains the same, however the holder of this license no longer has to obtain a Souvenir retail liquor license in order to engage in souvenir package sales at a gift shop. The privileges under the former Souvenir retail license have simply been added to privileges of a Distiller’s license so that only one license is now needed.
- **Winery license-** formally named a Vintner license. No changes other than renaming it to “Winery”.
- **Rectifier’s license-** The Blender’s license was eliminated and its privileges consolidated into the Rectifier’s license. The holder of a Rectifier’s license will be able to perform the same privileges as under the old Blender’s license.
- **Brewer’s license-** In-state Brewer’s license holders located within the Commonwealth are now permitted limited sampling, like Microbreweries, but only on their licensed brewery premises.

- **Out-of-State Distilled Spirits/Wine Producer/Supplier's license-** Out-of-state distilled spirits/wine producers/suppliers must now obtain licenses and register products for sale into the Commonwealth. License classes based on import amounts are as follows:
  - **Out-of-state Distilled Spirits/Wine Producer/Supplier** - 50,000 gallons or more.
  - **Limited Out-of-State Distilled Spirits/Wine Producer/Supplier** – 2,001 to 49,999 gallons.
  - **Micro Out-of-State Distilled Spirits/Wine Producer/Supplier** – 2,000 gallons or less.
- **Special Agent or Solicitor's licenses-** The out-of-state special agent or solicitor's license was eliminated and its privileges consolidated into this license. The out-of-state holder of a special agent or solicitor's license is permitted the same privileges as under the old license.
- **Quota Retail Package license and Quota Retail Drink license-** Only the names of these licenses have changed from Retail Liquor Package license and Retail Liquor Drink license. These licenses remain quota licenses, have the same qualifications, and authorize the exact same types of distilled spirits and wine sales. These two license types continue to ONLY permit sales of distilled spirits and wine. In order to sell beer, holders of these two license types are required to obtain an additional retail beer license.
- **NQ-1, NQ-2, NQ-3, and NQ-4 Retail Drink licenses-** Several non-quota licenses have been “bundled” together, and new types created to simplify and reduce the license types. Old license types were grouped together based upon similar qualifications and privileges.
  - **NQ-1 Retail Drink license** – The Convention Center license, Horse Track license, Automobile Race Track license and Air/Rail System licenses were consolidated into the NQ-1 Retail Drink license. The qualifications and privileges of the old license types have not changed. An applicant's business must be a convention center, horse track, automobile race track or air/rail system in order to obtain the NQ-1 Retail Drink license. The NQ-1 license is a combo license meaning the holder of this license is authorized to sell distilled spirits, wine and malt beverages (beer) by the drink. A second retail malt beverage license is not required.
  - **NQ-2 Retail Drink license-** The Restaurant Drink license, the Motel Drink license, Restaurant Wine license, Airport Drink license, and Riverboat licenses were consolidated into the NQ-2 Retail Drink license. The qualifications and privileges of the old license types have not changed. An applicant's business must be a qualifying restaurant, motel, riverboat or be located in an airport in order to obtain the NQ-2 Retail Drink license. The NQ-2 Retail Drink license is a combo

license meaning the holder of this license is authorized to sell distilled spirits, wine and malt beverages (beer) by the drink if located in a fully wet area. A second retail malt beverage license is not required for sales by the drink.

**Note:** Prior law restrictions stay the same. A restaurant which held an old Restaurant Wine license will still not be authorized to sell distilled spirits. A restaurant holding a NQ-2 Retail Drink license is only authorized to sell distilled spirits if it maintains seating for 100 patrons and is located in: (1) a wet county containing a city of the first three classes, (2) a wet city of the first three classes; or (3) a wet county containing a fourth class city (or in a wet fourth class city), which has enacted an economic hardship ordinance authorizing distilled spirits sales by qualifying restaurants. Restrictions/qualifiers for the NQ-2 Retail Drink license will be listed on the business' ABC license informing you if there are no restrictions or restrictions limited to beer and wine only. The same restrictions are available on the online license look-up system.

- **NQ-3 Retail Drink license** – The Special Private Club license, Dining Car Liquor license, and Dining Car Beer licenses were consolidated into the NQ-3 Retail Drink license. The qualifications and privileges of the old license types have not changed. An applicant's business must be a qualifying private club or commercial railroad dining car in order to obtain the NQ-3 retail drink license. The NQ-3 license is a combo license meaning the holder of this license is authorized to sell distilled spirits, wine and malt beverages (beer) by the drink. A second retail malt beverage license is not required.
- **The NQ-4 Retail Malt Beverage Drink license-** To avoid inconsistencies, SB 13 created two separate retail malt beverage licenses from the old retail malt beverage license. The qualifications and privileges of the old license type have not changed. The NQ-4 Retail Malt Beverage Drink license permits malt beverage DRINK sales ONLY on the premises. Existing licensees who held a retail malt beverage license were assigned, on June 25, 2013, one of the two options of malt beverage licenses based upon information in their original application. Qualifying business types may hold both types of retail malt beverage licenses (both by the drink and package). Existing licensees will be asked by the Department to verify if the business requires both package and by the drink sales, or just one or the other, depending on their daily operations.
- **The NQ Retail Malt Beverage Package license-** The second type of retail malt beverage license created from the old Retail Malt Beverage license is the NQ Retail Malt Beverage Package license. The qualifications and privileges of the old license type have not changed. The NQ Retail Malt Beverage Package license permits malt beverage PACKAGE sales ONLY for consumption *off* the premises. All licensees who previously held a retail malt beverage license have been assigned one of the two options of malt beverage

licenses based upon information in their original application. Qualifying business types may hold both types of malt beverage retail licenses (both by the drink and package). Existing licensees will be asked by the Department to verify if the business requires both package and by the drink sales, or just one or the other, depending on their daily operations.

**NOTE:** Under the new licensing scheme, the old retail malt beverage license has been separated into separate drink and package licenses. Licensees now need a NQ Retail Malt Beverage Package license to sell malt beverages by the package for consumption *off* the premises. Licensees now need a NQ-4 Retail Malt Beverage Drink license to sell malt beverages by the drink for consumption *on* the premises.

**NOTE:** The two separate retail malt beverage (beer) licenses were created to eliminate the licensing scheme conflict with retail distilled spirits and wine license types. Once a licensee obtains the appropriate retail malt beverage license, it may need to change some business practices. For example, KRS 244.085(6) addresses minors on alcohol drink sales premises whereas KRS 244.085(7) deals with minors on alcohol package sales premises. These statutes are not identical and will require some licensees to change business practices so as to comply with various laws. **Licensees should verify that their business practices comply with law.**

- **Transporter's license-** Six (6) license types, the Transport Non-resident license, Through Transporter's license, Freight Forwarder's license, Transporter's license (for liquor), Transporter license (malt beverage) and Special Beer Transporter's licenses were consolidated into one Transporter's license.
- **Malt Beverage Storage license-** Three (3) different types of malt beverage storage licenses, the Malt Beverage Warehouse license, Distributor's Storage license and the Off-premises Retail Storage license, were consolidated into one Malt Beverage Storage license. The qualifications and privileges of the old license types have not changed.
- **Distilled Spirits/Wine Storage license-** Two (2) license types, Special Storage or Warehouse license and the Bonded Warehouse license, were consolidated into one Distilled Spirits/Wine Storage license. The qualifications and privileges of the old license types have not changed.
- **Special Non-Beverage Alcohol license-** Two (2) license types, the Special Non-Industrial Alcohol license and Special Industrial Alcohol license were consolidated into the Non-Beverage alcohol license. The qualifications and privileges of the old license types have not changed and the holder of the new Special Non-Beverage Alcohol license is permitted to make ethanol fuel. The Special Vendor's license was eliminated as unnecessary, as holders of the new Special Non-Beverage Alcohol license may purchase alcohol from licensed Wholesalers or Distributors.

- **Special Temporary license-** Three (3) temporary license types, the Special Temporary Malt Beverage (beer) license, the Special Temporary Wine license, and Special Temporary Liquor/Wine license, were consolidated into one Special Temporary license type. The privileges of the old license types have not changed and the Special Temporary license authorizes only alcoholic beverage sales types that are permissible in the territory in which the event is held. The qualifications for non-profit or charitable groups have NOT changed. To prevent abuses, “for-profit” applicants may only obtain a temporary license for bona fide civic and community sponsored events. **For-profit applicants must attach written documentary evidence supporting the civic nature of the event and showing local government’s knowledge and support of the event.** A different type of temporary license, the **Special Temporary Distilled Spirits and Wine AUCTION** license did not change and remains the same.

**Note:** Prior law restrictions stay the same. A Special Temporary license only authorizes distilled spirits drink sales if the qualifying event occurs in: (1) a wet county containing a city of the first three classes, (2) a wet city of the first three classes; or (3) a wet fourth class city that has approved distilled spirits drink sales by a KRS 242.129 local option election. In all other cities and counties, the holder of a Special Temporary license may only sell wine or malt beverages by the drink. Restrictions/qualifiers for the Special Temporary license will be listed on the business’ ABC license informing you if there are no restrictions or restrictions limited to beer and wine only. The same restrictions are available on the online license look-up system.

**NOTE:** Promotional materials or news articles will satisfy the new requirement of written or documentary evidence of a local government’s acknowledgement of bona fide civic event. A written comment by a local ABC Administrator or staff attached to an application is insufficient.

#### **Specific Changes to State Licensing Fees and the Annual Renewal Schedule.**

- **On or about June 25, 2013, the Department issued replacement state licenses, by mail, to ALL licensees whose license name/type changed with the implementation of SB 13. The replacement licenses substitute the equivalent new license types for eliminated license types. License expiration dates remain the same. Licensees must replace old state licenses with the new licenses and correct licensing numbers on the exterior windows or doors so as to reflect new license numbers.**
- State licensing fees and renewal fees have changed. The new 2013 ABC License Types and Fees document may be found on our website at:  
<http://www.abc.ky.gov/Pages/default.aspx>.

- SB 13 corrected inconsistencies and inequalities in license fees. State licensing fees are now standardized to one fee for the same license type. Licensees will no longer have four (4) different state licensing fees based on class of city or county.
- Changes to licensing fee amounts remained revenue neutral and were NOT made to increase state licensing “fees.” Fees were calculated equability across all license types. Consolidated fees remained low so as to protect licensees in smaller class cities and counties. License fees have actually decreased for some licensees.

**NOTE:** As discussed below, the licensing fees for county and city licenses still have different fees based on class of city or county of licensee. SB 13 did reduce the different local licensing fee amounts from four (4) to two (2).

- The state no longer requires bonds for the following licensing types: Brewer’s, Wholesaler’s, Distiller’s, Rectifier’s, Non-Resident Distilled Spirits/Wine Transporter, Winery or Bottling House.
- The state licensing renewal schedule has been simplified and has changed.
- State renewals are now scheduled by month for specific counties instead of by zip code.
- If a licensee’s renewal schedule has changed, the Department is phasing in the new renewal schedule by requiring the licensee to renew twice this year. Licensees will receive their state renewal notices as normal even if the expiration month has changed. The renewal form will permit the licensee to renew their existing license(s) and pay a pro-rated fee in order to keep their license active and in good standing during the transition period this year.
- As an example, a county might currently have an expiration date of September 30, but the new updated renewal schedule changed the expiration date to April 30. All licensees in that county would receive renewal notices approximately 6 weeks prior to the old September 30 expiration date. The renewal form would identify the licensee’s new expiration date and set a pro-rated fee. If a licensee holds a NQ-4 Retail Malt Beverage Drink license, the renewal form will prorate the normal \$210.00 annual fee to only \$122.50 so as to cover the months remaining until the new renewal date. ( $\$210.00 / 12 \text{ months} \times 7 \text{ months (October 1}^{\text{st}} \text{ - to April 30}^{\text{th}})$ ). Then approximately six (6) weeks prior to their new expiration date of April 30, the licensee would receive another renewal form instructing it to pay \$210.00 for a full year’s fee. The licensee would then be on the new annual renewal schedule and the renewed license would be valid for a full year.



- As the foregoing illustration reveals, it will take the Department a full calendar year to implement and transition all licensees to the new annual renewal schedule.

**NOTE:** Local governments are **NOT** required to renew local licenses based on the state's licensing renewal schedule. As such, the local renewal date may not mirror the state renewal schedule. **Licensees should check with their local ABC Administrator to see if the local renewal schedule has changed. Licensees should be aware that they cannot allow either license to expire and cannot operate at any time without the state license and local license.**

#### **Changes to Local License and Fees.**

- The legislative body of any wet/moist county or city may impose local license fees for the privilege of manufacturing and trafficking in alcoholic beverages. Only those license types listed in KRS 243.060 and KRS 243.070 may be issued.
- As previously stated, local license types were also changed consistently with the new state license types. The Department has advised cities and counties to amend local ordinances to reflect the new license types.
- Unlike state license fees, local license fees were not standardized to one fee for the same license type. SB 13 did reduce the number of different fees for the same license type from four (4) to two (2) different fees. Not all local licenses have different fees.
- For those license types with two (2) different fee amounts, the different fees are based upon whether the licensed premises are located in: (1) counties containing a consolidated local government; and, (2) all other counties.
- In consolidating the four (4) different fees, the maximum license fee amounts permitted has increased for some counties and cities. To protect licensees from drastic increases, SB 13 only permits gradual increases in current fees by providing that counties and cities may only increase current license fees by 5 % during any five (5) year period.

#### **Retail Alcohol Sales on Election Days.**

- SB 13 amends KRS 244.290 and KRS 244.480 to permit licensees to sell alcoholic beverages on any primary, regular, local option, or special election days as the default state law. Under the old law, retail alcohol sales were prohibited on election days while the polls were open.
- SB 13 authorizes cities of the first four (4) classes, and counties containing cities of the first four (4) classes, to adopt local ordinances to prohibit alcoholic beverage sales, or limit the hours of sales, on any primary, regular, local option, or special election day.
- Counties and cities are not required to enact ordinances on the subject of election day sales. If no local ordinance exists, retail alcohol sales are permitted, by default, under

state law. If prohibition is desired on election days by an authorized local government, an ordinance will be required to prohibit alcohol sales on election days.

- **All licensees should check with their local governments to learn whether ordinances already exist, or will exist, to prohibit or limit retail alcohol sales on election days.**
- **As a Wholesaler or Distributor you will also need to check ordinances for city/counties to verify that you may take orders or make deliveries on election days.**

### **Three-Tier System Protections relating to Microbreweries.**

- Microbreweries are now required to obtain one or both of the new retail malt beverage license types in order to sell malt beverages at retail. SB 13 permits Microbreweries to sell malt beverages produced on the premises, limited to 288 oz. per customer per day, without having to transfer physical possession of those malt beverages to a licensed Wholesaler. To protect the Three-Tier system, Microbreweries must file required monthly reports and collect and provide all taxes due to the licensed distributor.

### **Specific Information for Microbreweries.**

- If a Microbrewery qualifies as a restaurant they must obtain a NQ-2 Retail Drink License (a combo beer, distilled spirits, and wine by the drink) license.
- If a Microbrewery only wishes to sell their beer that they manufacture, they will need a NQ-4 Retail Malt Beverage License to sell beer by the drink.
- A NQ Retail Malt Beverage Package license would allow a Microbrewery to purchase other malt beverages from Distributors for resale. A NQ Retail Malt Beverage Package license is not needed if the Microbrewery only sells what they manufacture by the package.
- Microbreweries are limited to sell 288 ounces per customer per day.